

WAYNE COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS
June 30, 2005

WAYNE COUNTY SCHOOL DISTRICT
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FOR THE YEAR ENDED JUNE 30, 2005

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INDEPENDENT AUDITORS' REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Wayne County Board of Education
Monticello, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wayne County School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the State Committee for School District Audits in the *Appendix I of the Independent Auditors' Contract – General Requirements, and Appendix II of the Independent Auditor's Contract – State Audit Requirements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wayne County School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Major Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 24, 2005 on our consideration of Wayne County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison information on pages 31 through 32 and the combining nonmajor fund financial statements on pages 33 through 34 are presented for the purpose of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on pages 38 through 39 is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 31 through 32 are not a required part of the basic financial statements but are supplementary information required by *Governmental Accounting Standards*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Greattinger & Crowley, PSC

October 24, 2005

Wayne County Public School District-Monticello, Kentucky Management's Discussion and Analysis (MD&A) Year Ended June 30, 2005

As management of the Wayne County School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

Financial Highlights

- The beginning cash balance for the District's governmental and proprietary funds was \$1,016,214. The year ended with a balance of \$518,378. The year end balance is \$497,836 less than the 2003-2004 year end balance.
- The General Fund had \$15,697,229 in revenue, which primarily consisted of the state program (SEEK), property, utilities and motor vehicle taxes. Excluding interfund transfers and other financing sources, there were \$16,044,255 in General Fund expenditures.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District's total debt reduction was \$1,661,732 for the current fiscal year.
- The District is in the process of constructing a new middle school on property currently owned by the District. The District's General Fund has covered financial obligations to this point and plans to transfer funds from the construction fund as reimbursement following a bond sale in August 2005.
- In 2004-2005 Certified and Classified staff received a 2.5% salary increase in July and an additional 1% increase in January.
- Total enrollment for 2004-2005 was 2,491 for grade K-12, a 18 student decrease from 2003-2004. The overall District attendance rate for 2004-2005 was 94.99%, a slight increase from 2003-2004 of 93.86%.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a

manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are food service operations and childcare. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11-18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-30 of this report.

Government-Wide Financial Analysis. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$6,751,961 as of June 30, 2005. This reflects an increase of \$283,224 from 2003-2004.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and

equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Assets for the year ended June 30,	2005	2004
Current Assets	\$1,875,237	\$2,521,458
Noncurrent Assets	15,769,578	15,385,634
Total Assets	17,644,815	17,907,092
Current Liabilities	1,685,706	1,310,562
Noncurrent Liabilities	9,207,148	10,127,793
Total Liabilities	10,892,854	11,438,355
Net Assets		
Investment in capital assets (net of debt)	3,031,041	3,849,285
Restricted Fund Balance	208,774	402,261
Unrestricted Fund Balance	3,512,146	2,217,191
Total Net Assets	\$6,751,961	\$6,468,737

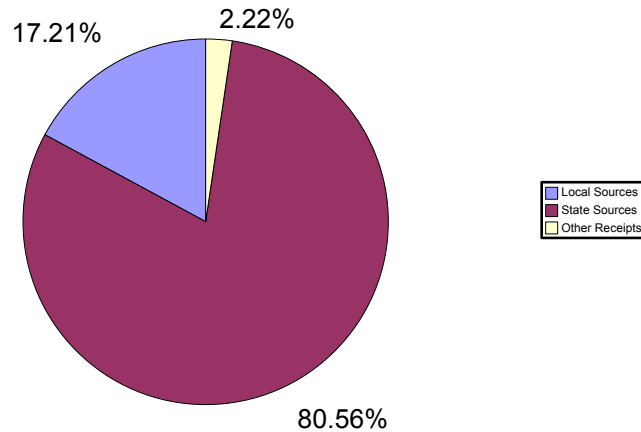
Comments on Budget Comparisons

- The District's total general revenues for the fiscal year ended June 30, 2005, net of Interfund transfers, were \$13,308,686.
- General Fund budget compared to actual revenue varied slightly from line item to line item with the exception of revenue code 3900 (on-behalf payments made by the state for employee benefits). On-behalf payments are not included in the budget. The actual revenue received was \$3,895,109 more than budgeted with \$3,118,504 of this amount being on-behalf payments.
- General Fund budget expenditures to actual varied overall due to recording on-behalf payments.

General Fund Revenue/Expenditures – Charts 1 & 2

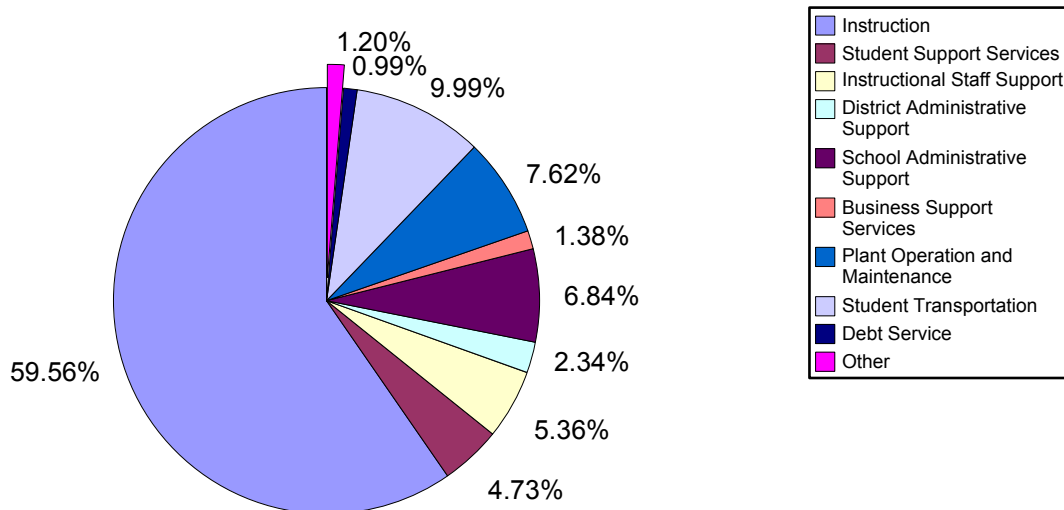
The majority of the total General Fund (Fund 1) revenue was derived from state revenue (80.6%). Local funding accounted for 17.2% of the revenue.

2004-2005 General Fund Revenue Sources



The greatest amount of revenue (60%) was expended for instruction. Other significant expenditures were student transportation (10%), plant operation and management (8%), school administrative support (7%), instructional staff support which includes school libraries and district-wide instructional support staff (5%), and student support services which includes health services, attendance services and guidance counseling (5%).

2004-2005 General Fund Expenditures by Function



General Fund revenues in comparison to the prior year were as follows:

	<u>2003-2004</u>	<u>2004-2005</u>	<u>Change</u>
From local sources			
Taxes:			
Property	\$1,611,013	\$1,624,292	\$13,279
Delinquent	25,180	28,917	3,737
Motor vehicle	405,531	433,747	28,216
Utility	459,948	481,837	21,889
Other	1,545	1,818	273
Revenue in lieu of taxes	104,084	105,246	1,162
Earnings on investments	107,466	56,482	(50,984)
State sources	13,009,741	12,933,016	(76,725)
Other revenues	462	22,042	21,580
	<u>\$15,724,970</u>	<u>\$15,687,397</u>	<u>\$(37,573)</u>

General Fund expenditures in comparison to the prior year were as follows:

	<u>2003-2004</u>	<u>2004-2005</u>	<u>Change</u>
Instruction	\$9,128,626	\$9,678,567	\$549,941
Support services:			
Student	475,472	762,251	286,779
Instruction staff	692,601	863,863	171,262
District administration	404,346	376,502	(27,844)
School administration	1,132,820	1,102,191	(30,629)
Business support services	163,274	222,749	59,475
Plant operation and maintenance	1,052,545	1,228,506	175,961
Student transportation	1,494,458	1,609,928	115,470
Facilities acquisition and construction	288,663	-	(288,663)
Community service activities	145,595	40,658	(104,937)
Debt service	220,762	159,040	(61,722)
Total expenditures	<u>\$15,199,162</u>	<u>\$16,044,255</u>	<u>\$845,093</u>

Special Revenue Fund Revenue/Expenditures

The majority (70%) of the Special Revenue's (Fund 2) revenue was derived from federal sources with state revenue making up 29%. The largest expenditure for the fund was for instruction, which was 74% of the fund's total expenditures. Instructional staff support services was 16% of the total expenditures.

Capital Outlay Fund and Facilities Support Program of Kentucky Revenue/Expenditures

The Capital Outlay Fund's (Fund 310) revenue is received from the state funding program (SEEK). The FSPK Fund (Fund 320) receives revenue from both state funding and local taxes. During this year the majority of these funds were transferred to the debt service fund for paying on bonds sold in previous years for new and renovated facilities. This year the state allowed the district to use a portion of capital outlay funds for approved plant operation and management expenditures that were previously funded through General Fund.

Construction Fund Revenue/Expenditures

The Construction Fund (Fund 360) is used for new buildings and renovations. The new Middle School accounts for the expenditures for the fund.

Debt Service Fund Revenue/Expenditures

The Debt Service Fund (Fund 400) is used for paying debt service on bonds sold for new and renovated facilities. The fund receives a majority of its revenue from transfers from other funds primarily the Capital Outlay and FSPK Funds.

Food Service Fund Revenue/Expenditures

The School Food Services Fund (Fund 51) is an enterprise fund, which receives revenue from federal (72%), local (21%) and state (7%) sources. Expenditures for this fund are for food service staff, food, supplies and equipment.

Childcare Tuition Fund Revenue/Expenditures

The Childcare Tuition Fund (Fund 52) is an enterprise fund that receives its revenue from day care fees. The funds expenditures are for day care staff, supplies and equipment.

Budgetary Implications

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the District overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with \$530,000 in contingency (2.8%). The beginning general fund cash balance for the fiscal year is \$1,624,292.

Questions regarding this report should be directed to the Superintendent (606)348-8484 or to Lisa Pyles, Finance Officer (606)348-8484 or by mail at 534 Albany Road, Monticello, Kentucky 42633.

WAYNE COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
DISTRICT WIDE
As of June 30, 2005

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets			
Cash and cash equivalents	\$483,135	\$35,243	\$518,378
Investments	84,299	-	84,299
Accounts receivable:			
Grants	247,052	-	247,052
Bond proceeds	681,541	-	681,541
Taxes	69,150	-	69,150
Accounts	31,230	97,459	128,689
Inventory	-	34,979	34,979
Bond issue cost	52,502	-	52,502
Bond discounts	58,647	-	58,647
Total current assets	1,707,556	167,681	1,875,237
Noncurrent Assets			
Construction in progress	2,052,957	-	2,052,957
Non-depreciable capital assets	629,161	-	629,161
Depreciable capital assets	22,233,286	1,525,246	23,758,532
Less: Accumulated depreciation	(9,882,593)	(788,479)	(10,671,072)
Total noncurrent assets	15,032,811	736,767	15,769,578
Total assets	16,740,367	904,448	17,644,815
LIABILITIES			
Current Liabilities			
Accounts payable	369,572	11,938	381,510
Accrued payroll & related expenses	431	-	431
Deferred revenue	164,871	-	164,871
Sick leave payable	98,110	-	98,110
Interest payable	63,595	-	63,595
Bonds payable and capital leases	977,189	-	977,189
Total current liabilities	1,673,768	11,938	1,685,706
Noncurrent Liabilities			
Sick leave payable	127,918	-	127,918
Bond anticipation liability	681,541	-	681,541
Bonds payable and capital leases	8,397,689	-	8,397,689
Total noncurrent liabilities	9,207,148	-	9,207,148
Total liabilities	10,880,916	11,938	10,892,854
NET ASSETS			
Invested in capital assets, net of related debt	2,975,815	736,767	3,712,582
Restricted for prior-year encumbrances	2,282	-	2,282
Restricted for site-based carryforward	126,157	-	126,157
Restricted for sick leave	80,335	-	80,335
Unrestricted	2,674,862	155,743	2,830,605
Total net assets	\$5,859,451	\$892,510	\$6,751,961

See accompanying notes to financial statements.

WAYNE COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
DISTRICT WIDE
For the year ended June 30, 2005

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Instruction	\$12,596,208	\$-	\$5,596,223	\$-	\$(6,999,985)	\$-	\$(6,999,985)
Support services:							
Student	820,750	-	57,390	-	(763,360)	-	(763,360)
Instruction staff	1,378,768	-	561,055	-	(817,713)	-	(817,713)
District administrative	386,379	-	-	-	(386,379)	-	(386,379)
School administrative	1,129,181	-	16,599	-	(1,112,582)	-	(1,112,582)
Business	215,602	-	-	-	(215,602)	-	(215,602)
Plant operation and maintenance	1,375,479	-	22,222	608,180	(745,077)	-	(745,077)
Student transportation	1,762,801	-	11,861	-	(1,750,940)	-	(1,750,940)
Community service activities	273,797	-	226,918	-	(46,879)	-	(46,879)
Interest on long-term debt	416,357	-	97,654	169,320	(149,383)	-	(149,383)
Total governmental activities	20,355,322	-	6,589,922	777,500	(12,987,900)	-	(12,987,900)
Business-type Activities							
Food service	1,436,095	292,926	1,105,010	-	-	(38,159)	(38,159)
Other business activities	72,161	64,853	7,448	-	-	140	140
Total business-type activities	1,508,256	357,779	1,112,458	-	-	(38,019)	(38,019)
Total school district	\$21,863,578	\$357,779	\$7,702,380	\$777,500	\$(12,987,900)	\$(38,019)	\$(13,025,919)
General Revenues							
Property taxes					1,914,866	-	1,914,866
Delinquent property tax					28,917	-	28,917
Motor vehicle taxes					433,747	-	433,747
Utility taxes					481,837	-	481,837
Other taxes					1,818	-	1,818
Revenue in lieu of taxes					105,246	-	105,246
State aide formula grants					9,814,512	-	9,814,512
Earnings on investments					76,650	1,997	78,647
Donations					337,500	-	337,500
E-rate discounts					149,023	-	149,023
Miscellaneous					22,042	-	22,042
Transfers					67,388	(67,388)	-
Gain on sale of investments					457	-	-
Loss on disposal of fixed assets					(59,339)	(130)	(59,469)
Total general revenues					13,374,664	(65,521)	13,308,686
Change in net assets					386,764	(103,540)	283,224
Net assets – as previously stated					4,515,975	996,050	5,512,025
Prior period adjustment					956,712	-	956,712
Net assets - ending					\$5,859,451	\$892,510	\$6,751,961

See accompanying notes to financial statements.

WAYNE COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	General Fund	Special Revenue	Construction	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$1,226,050	\$(63,634)	\$(681,541)	\$2,260	\$483,135
Investments	-	-	-	84,299	84,299
Accounts receivable:					
Grants	-	247,052	-	-	247,052
Bond proceeds	-	-	681,541	-	681,541
Taxes	69,150	-	-	-	69,150
Accounts	31,230	-	-	-	31,230
Total assets	<u>1,326,430</u>	<u>183,418</u>	<u>-</u>	<u>86,559</u>	<u>1,596,407</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	351,025	18,547	-	-	369,572
Accrued payroll & related expenses	431	-	-	-	431
Deferred revenue	-	164,871	-	-	164,871
Accrued sick leave payable	98,110	-	-	-	98,110
Total liabilities	<u>449,566</u>	<u>183,418</u>	<u>-</u>	<u>-</u>	<u>632,984</u>
Fund Balances					
Reserved for:					
Debt service	-	-	-	86,559	86,559
Unreserved					
Designated					
Prior year encumbrances	2,282	-	-	-	2,282
Site based carry forward	126,157	-	-	-	126,157
Accrued sick leave	80,335	-	-	-	80,335
Undesignated	668,091	-	-	-	668,091
Total fund balances	<u>876,865</u>	<u>-</u>	<u>-</u>	<u>86,559</u>	<u>963,424</u>
Total liabilities and fund balances	<u>\$1,326,430</u>	<u>\$183,418</u>	<u>\$-</u>	<u>\$86,559</u>	<u>\$1,596,407</u>

See accompanying notes to financial statements.

WAYNE COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2005

Total fund balances – governmental funds	\$963,424
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$22,862,447 and the accumulated depreciation is \$9,882,593. The cost of current construction projects is \$2,052,957.	15,032,811
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Certain assets are not reported in this fund financial statement because they are not available to pay current period expenditures, but they are reported in the statement of net assets.	111,149
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Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds, but they are reported in the statement of net assets.	<u>(10,247,933)</u>
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Total net assets – governmental activities	<u><u>\$5,859,451</u></u>
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WAYNE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2005

	General Fund	Special Revenue	Construction	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources					
Taxes:					
Property	\$1,624,292	\$-	\$-	\$290,574	\$1,914,866
Delinquent	28,917	-	-	-	28,917
Motor vehicle	433,747	-	-	-	433,747
Utility	481,837	-	-	-	481,837
Other	1,818	-	-	-	1,818
Revenue in lieu of taxes	105,246	-	-	-	105,246
Earnings on investments	56,482	839	-	19,850	77,171
State sources	12,933,016	983,420	-	875,154	14,791,590
Federal sources	-	2,381,824	-	-	2,381,824
Bond proceeds	-	-	681,541	-	681,541
Other revenues	22,042	8,520	-	-	30,562
Total revenues	15,687,397	3,374,603	681,541	1,185,578	20,929,119
Expenditures					
Instruction	9,678,567	2,510,077	-	-	12,188,644
Support services:					
Student	762,251	57,390	-	-	819,641
Instruction staff	863,863	561,055	-	-	1,424,918
District administration	376,502	-	-	-	376,502
School administration	1,102,191	16,599	-	-	1,118,790
Business support services	222,749	-	-	-	222,749
Plant operation and maintenance	1,228,506	22,222	-	170,092	1,420,820
Student transportation	1,609,928	11,861	-	-	1,621,789
Facilities acquisition and construction	-	-	392,878	-	392,878
Community service activities	40,658	226,918	-	-	267,576
Debt service:					
Principal	133,732	-	-	1,528,000	1,661,732
Interest	25,308	-	-	377,900	403,208
Total expenditures	16,044,255	3,406,122	392,878	2,075,992	21,919,247
Excess (deficit) of revenues over expenditures	(356,858)	(31,519)	288,663	(890,414)	(990,128)
Other Financing Sources (Uses)					
Proceeds from sale of investments	-	-	-	775,000	775,000
Cost of investments	-	-	-	(774,543)	(774,543)
Proceeds from sale of fixed assets	9,832	-	-	-	9,832
Operating transfers in	356,051	31,519	-	850,425	1,237,995
Operating transfers out	(153,282)	-	(288,663)	(728,662)	(1,170,607)
Total other financing sources (uses)	212,601	31,519	(288,663)	122,220	77,677
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(144,257)	-	-	(768,194)	(912,451)
Net change in fund balances	(144,257)	-	-	(768,194)	(912,451)
Fund balance, June 30, 2004	1,021,122	-	-	854,753	1,875,875
Fund balance, June 30, 2005	\$876,865	\$-	\$-	\$86,559	\$963,424

See accompanying notes to financial statements.

WAYNE COUNTY SCHOOL DISTRICT**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

For the year ended June 30, 2005

Net change in fund balance – total governmental funds	\$(912,451)
<p>Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$755,495) was exceeded by capital outlays (\$516,089) and building renovations (\$392,878) in the current period.</p>	153,472
<p>Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets; however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.</p>	980,191
<p>Generally, revenues recognized in this fund financial statement are limited only to those that provide current financial resources, but revenues are recognized in the statement of activities when they are earned.</p>	149,023
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>	<u>16,529</u>
Change in net assets of governmental activities	<u><u>\$386,764</u></u>

WAYNE COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
As of June 30, 2005

ASSETS	Food Service Fund	Other Enterprise Funds	Total
Current Assets			
Cash and cash equivalents	\$35,359	\$(116)	\$35,243
Accounts receivable	96,194	1,265	97,459
Inventory	34,979	-	34,979
Total current assets	166,532	1,149	167,681
Noncurrent Assets			
Bldgs and improvements	969,188	-	969,188
Furniture and equipment	556,058	-	556,058
Less: Accumulated depreciation	(788,479)	-	(788,479)
Total noncurrent assets	736,767	-	736,767
Total assets	903,299	1,149	904,448
LIABILITIES			
Current Liabilities			
Accounts payable	11,938	-	11,938
Total current liabilities	11,938	-	11,938
Noncurrent Liabilities			
Total noncurrent liabilities	-	-	-
Total liabilities	11,938	-	11,938
NET ASSETS			
Invested in capital assets, net of related debt	736,767	-	736,767
Unrestricted	154,594	1,149	155,743
Total net assets	\$891,361	\$1,149	\$892,510

See accompanying notes to financial statements.

WAYNE COUNTY SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS**

For the year ended June 30, 2005

	<u>Food Service Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
Operating Revenues			
Food service sales	\$292,102	\$-	\$292,102
Other operating revenues	824	64,853	65,677
Total operating revenues	<u>292,926</u>	<u>64,853</u>	<u>357,779</u>
Operating Expenses			
Salaries and wages	655,092	71,060	726,152
Professional and contract services	2,760	-	2,760
Supplies and materials	696,702	441	697,143
Depreciation	56,648	-	56,648
Other operating expenses	24,893	660	25,553
Total operating expenses	<u>1,436,095</u>	<u>72,161</u>	<u>1,508,256</u>
Operating income (loss)	<u>(1,143,169)</u>	<u>(7,308)</u>	<u>(1,150,477)</u>
Nonoperating revenues (expenses)			
Federal grants	930,802	-	\$930,802
State grants	93,236	7,448	100,684
Donated commodities	80,972	-	80,972
Operating transfers	(67,388)	-	(67,388)
Loss on disposal of equipment	(130)	-	(130)
Interest income	1,997	-	1,997
Total nonoperating revenues (expenses)	<u>1,039,489</u>	<u>7,448</u>	<u>1,046,937</u>
Net income (loss)	<u>(103,680)</u>	<u>140</u>	<u>(103,540)</u>
Total net assets, June 30, 2004	<u>995,041</u>	<u>1,009</u>	<u>996,050</u>
Total net assets, June 30, 2005	<u><u>\$891,361</u></u>	<u><u>\$1,149</u></u>	<u><u>\$892,510</u></u>

See accompanying notes to financial statements.

WAYNE COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended June 30, 2005

Cash Flows from Operating Activities

Cash received from lunchroom sales	\$282,566
Cash received from other activities	63,588
Cash payments to employees for services	(651,509)
Cash payments to suppliers for goods and services	(629,000)
Cash payments for other operating activities	(28,351)
Net cash from operating activities	<u>(962,706)</u>

Cash Flows from Capital Financing Activities

Acquisition of capital assets	(8,986)
Net cash from capital financing activities	<u>(8,986)</u>

Cash Flows from Noncapital Financing Activities

Fund transfers	(67,388)
Nonoperating grants received	956,844
Net cash from noncapital financing activities	<u>889,456</u>

Cash Flows from Investing Activities

Interest on investments	1,997
Net cash flows from investing activities	<u>1,997</u>

Net increase in cash and cash equivalents (80,239)

Cash and cash equivalents - beginning	<u>115,482</u>
Cash and cash equivalents - ending	<u><u>\$35,243</u></u>

Reconciliation of Operating Income (Loss) to Net Cash

Provided (Used) by Operating Activities	
Operating income (loss)	(1,150,477)

Adjustments to Reconcile Operating Income (Loss) to

Net Cash Provided (Used) by Operating Activities	
Depreciation	56,648
Commodities used	80,972
On-behalf payments	74,642
Changes in assets and liabilities:	
Accounts receivable	(11,624)
Inventory	(7,494)
Accounts payable	(5,373)

Net Cash Provided by Operating Activities	<u><u>\$(962,706)</u></u>
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Schedule of non-cash transactions:

Donated commodities	<u>\$80,972</u>
On-behalf payments	<u><u>\$74,644</u></u>

WAYNE COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
As of June 30, 2005

ASSETS	<u>Trust/Agency Fund</u>
Current Assets	
Cash and cash equivalents	\$181,954
Accounts receivable	<u>23,477</u>
Total current assets	<u>205,431</u>
 Total assets	 205,431
LIABILITIES	
Accounts payable	9,815
Due to student groups	<u>195,616</u>
Total liabilities	<u>205,431</u>
 NET ASSETS	 <u><u>\$-</u></u>

See accompanying notes to financial statements.

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Wayne County Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Wayne County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Wayne County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Booster, Parent-Teacher Association, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Wayne County School District Finance Corporation – On May 29, 1991, the Wayne County, Kentucky, Board of Education resolved to authorize the establishment of the Wayne County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Wayne County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exception. The comparison of direct expenses with program revenues identified the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting fund by type. Each

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balance, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operation. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 38 through 39. This is a major fund of the District.
- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

D. Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

- E. The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

The District applied all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency Funds)

- F. The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. With the exception of the Cardinal Bank, these funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds. The Cardinal Bank operates a school bank for the benefit of students and the nature of its operations are not conducive to some of the requirements of the Uniform Program of Accounting for School Activity Funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the Accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Property Tax Revenues – Property taxes are levied each October on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipts by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes attach as an enforceable lien on the property at May 31. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2005, to finance the General Fund operations were \$.394 per \$100 valuation for real property and \$.402 per \$100 valuation for tangible property.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power and water.

Capital Assets

General capital assets are those not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in their respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The district maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the assets or materially extend an assets life, are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings	25-50 years
Land Improvements	20 years
Technology equipment	5-10 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and Fixtures	20 years
Musical instruments	10 years
Grounds equipment	15 years
Other	10 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, a certified employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with and original maturity of 90 days or less, to be cash equivalents.

Accounts Receivable

Accounts receivable in the Statement of Net Assets – District Wide are deemed to be collectible; accordingly, no provision for uncollectible accounts has been recorded.

The bond proceeds receivable represents bond funds that have been expended but not yet drawn. The state authorized \$10,525,000 of School Building Revenue Bonds; however, no funds were drawn until August 10, 2005. As these funds were deemed measurable and available to pay current expenditures within sixty days of year-end, proceeds of \$681,541 are included in the current year.

Inventories

The food service fund inventories are stated at cost.

Investments

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Investments are stated at fair value. The District has an investment in a certificate of deposit in the amount of \$84,299 with an interest rate of 4.00 percent. All other investments are in U.S. Treasury notes with interest rate from 1.625 to 3.875 percent.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2005 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

As of June 30, 2005, the long-term debt of the financial reporting entity consisted of the following:

Accrued sick leave		Bonds & Capital lease obligations	
Current portion	\$ 98,110	Current portion	\$ 977,189
Non-current portion	127,918	Non-current portion	8,397,689
Total	<u>\$ 226,028</u>		<u>\$9,374,878</u>

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use of which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Fund equity reserves have been established for inventories and fixed assets.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restriction imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE B – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C – CASH AND CASH EQUIVALENTS

At year end, the carrying amount of the District's cash and cash equivalents was \$700,332. The bank balance was covered by federal depository insurance or by a collateral agreement and collateral held by the pledging banks' trust department in the district's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2005, consisted of the following:

	Bank Balance	Book Balance
Checking	\$980,502	\$679,161
Certificates of deposit	17,388	17,388
Cash		3,783
	<hr/>	<hr/>
	\$997,890	\$700,332
	<hr/>	<hr/>

Breakdown per financial statements:

Governmental Funds	\$483,135
Proprietary Funds	35,243
Agency Funds	181,954
	<hr/>
	\$700,332
	<hr/>

Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or its agencies, obligations of any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and shares in mutual funds.

NOTE D – LEASE OBLIGATIONS AND BONDED DEBT

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make payments relating to the bonds issued by the County of Wayne, the Wayne County School District Finance Corporation, Kentucky School Construction Commission, aggregating \$10,056,419. This amount includes a receivable for \$681,541 for bond proceeds expended before year end, but not drawn until August 2005.

The original amount of the issue, the issue dates, and interest rates are summarized below:

<u>ISSUE</u>	<u>ORIGINAL AMOUNT</u>	<u>INTEREST RATES</u>
Issue 1997A	460,000	4.90 – 5.45%
Issue 1997B	515,000	4.75 – 4.90%
Issue 1998	940,000	4.00 – 4.50%
Issue 1999	1,620,000	3.60 – 4.00%
Issue 2003A	139,000	2.95%
Issue 2003B	4,340,000	1.1 – 3.5%
Issue 2003C	830,000	3.4%
Issue 2003 ECM	1,410,000	1.20 – 3.875%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Wayne County Finance Corporation to construct school facilities. The district has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District has entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the district and the Commission for each year until maturity of all bond issues.

The bonds may be called to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the district, including amounts to be paid by the Commission, at June 30, 2005, for debt service (principal and interest) are as follows:

<u>YEAR</u>	<u>WAYNE COUNTY SCHOOL DISTRICT</u>		<u>KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION</u>		<u>TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2005-06	640,926	201,866	176,074	90,900	1,109,766
2006-07	654,308	186,871	182,692	84,284	1,108,155
2007-08	681,206	170,030	189,794	77,179	1,118,209
2008-09	702,754	150,826	197,246	69,730	1,120,556
2009-10	673,827	130,510	205,173	61,803	1,071,313
2010-11	651,564	109,034	217,436	53,310	1,031,344
2011-12	647,108	87,085	147,892	44,628	926,713
2012-13	670,492	64,848	149,508	38,342	923,190
2013-14	688,802	40,986	146,198	32,071	908,057
2014-15	209,742	25,164	115,258	26,199	376,363
2015-16	134,151	17,500	115,847	20,784	288,282
2016-17	138,165	12,145	121,835	15,063	287,208
2017-18	137,002	6,574	92,998	9,045	245,619
2018-19	22,584	1,073	97,416	4,627	125,700
	<u>\$6,652,631</u>	<u>\$1,204,512</u>	<u>\$2,155,367</u>	<u>\$627,965</u>	<u>\$10,640,475</u>

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE E – FIXED ASSETS

GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE	ADDITIONS	RETIREMENT & SALES	ENDING BALANCE
Land	\$1,276,550	\$-	\$25,138	\$1,251,412
Buildings & Building Improvements	16,033,352	455,148	181,201	16,307,299
Technology Equipment	1,582,791	273,172	241,997	1,613,966
Vehicles	3,384,895	198,412	309,884	3,273,423
General Equipment	385,240	38,377	7,270	416,347
TOTAL FIXED ASSETS	<u>\$22,662,828</u>	<u>\$965,109</u>	<u>\$765,490</u>	<u>\$22,862,447</u>
LESS ACCUMULATED DEPRECIATION FOR:				
Land	431,948	18,330	25,139	425,139
Buildings & Building Improvements	5,086,080	342,064	131,962	5,296,182
Technology Equipment	1,120,635	239,583	222,410	1,137,808
Vehicles	2,980,004	133,671	309,884	2,803,791
General Equipment	204,749	21,848	6,924	219,673
TOTAL ACCUMULATED DEPRECIATION	<u>9,823,416</u>	<u>755,496</u>	<u>696,318</u>	<u>9,882,593</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$12,839,412</u>			<u>\$12,979,854</u>
PROPRIETARY ACTIVITIES:				
Buildings & Building Improvements	\$969,188			\$969,188
Technology Equipment	13,741		1,300	12,441
General Equipment	541,495	8,986	6,864	543,617
TOTALS AT HISTORICAL COST	<u>1,524,424</u>	<u>8,986</u>	<u>8,164</u>	<u>1,525,246</u>
LESS ACCUMULATED DEPRECIATION FOR:				
Buildings & Building Improvements	350,234	19,383		369,617
Technology Equipment	5,277	2,359	1,300	6,336
General Equipment	384,354	34,906	6,734	412,526
TOTAL ACCUMULATED DEPRECIATION:	<u>739,865</u>	<u>56,648</u>	<u>8,034</u>	<u>788,479</u>
PROPRIETARY ACTIVITIES CAPITAL ASSETS, NET	<u>\$784,559</u>			<u>\$736,767</u>

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:

Instructional	\$552,708
Student Support Services	4,573
Staff Support Services	11,098
District Administration	18,475
School Administration	10,391
Business Support Services	2,848
Plant Operation & Maintenance	8,169
Student Transportation	141,012
Community Service Operations	6,221
Total	<u>\$755,495</u>

NOTE F – CAPITAL LEASE PAYABLE

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2005:

Year ended June 30:

2006	\$185,846
2007	102,598
2008	93,245
2009	78,088
2010	77,996
2011	24,250
2012	24,193
2013	24,225
2014	20,283
2015	20,265
Total Minimum Rentals	650,989
Less amount representing interest	<u>84,109</u>
Present Value of Net Minimum Lease Payments	<u>\$566,880</u>

NOTE G – RETIREMENT PLANS

Plan Description – The Wayne County School District contributes to the Teacher's Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and liability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes. KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601.

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Funding Policy - Funding for the plan is provided through payroll withholdings of 9.855% of salaries. The Commonwealth of Kentucky is required to contribute 13.105% of salaries. The federal program for any salaries paid by that program pays the matching contributions. KTRS requires that members of KTRS occupy a position requiring either a four year college degree or certification by the Kentucky Department of Education.

The Wayne County School District also contributes to the County Employee's Retirement System (CERS), a cost sharing, multiple-employer, public employers retirement system. Funding for the plan is provided through payroll withholdings of 5.00% and a district contribution of 8.48% of the employee's total compensation subject to contribution. Benefits under the plan varies based on final compensation, years of service, and other factors as fully described in the plan documents. Additional information and historical trend information can be obtained from the Comprehensive Annual Financial Report of the County Employee Retirement System of Kentucky.

The Wayne County School District's total payroll for the year was \$12,963,424. The payroll for employees covered under KTRS was \$9,243,529. For the year ended June 30, 2005, the Commonwealth contributed \$1,045,299 to KTRS for the benefit of our participating employees. The School District's contributions to KTRS for the year ending June 30, 2005 were \$166,066 which represent those employees covered by federal programs.

The payroll for employees covered under CERS was \$3,447,522. The contribution requirement for CERS for the year ended June 30, 2005, was \$482,926 which consisted of \$292,350 from the District and \$190,576 from the employees.

NOTE H – CONTINGENCIES

The District receives funding from the federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE I – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes worker's compensation insurance.

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE J – DEFICIT OPERATING/FUND BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following funds had operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance:

Debt Service Fund	\$ 768,194
Food Service	103,680
General Fund	144,257

NOTE K – TRANSFER OF FUNDS

The following transfers were made during the year.

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special Rev.	Operating	\$31,519
Operating	Bldg Fund	Debt Service	Debt Service	670,354
Operating	Capital Outlay	Debt Service	Debt Service	58,308
Operating	General	Debt Service	Debt Service	121,763
Operating	Construction	General	Operating	288,663
Operating	Food Service	General	Operating	67,388

NOTE L – PROGRAM REVIEWS

Wayne County School District is subject to review by various grant agencies.

NOTE M – ANNUAL FINANCIAL REPORT DIFFERENCES

Audit report differs with the District's annual report filed with the state as follow:

	<u>General Fund</u>	<u>Proprietary Fund</u>	<u>Debt Service</u>
Beginning fund balance:	\$0	\$0	\$63,596
	Audited	Annual Report	Difference
Expenses- General Fund	\$16,197,537	\$16,119,613	\$ 77,924
Revenues- Debt Service	1,912,249	1,137,706	774,543
Expenses- Debt Service	2,680,443	1,899,135	781,308
Revenues- Food Service	1,327,933	1,399,932	71,999
Expenses- Food Service	1,503,613	1,455,819	47,794

NOTE N – PRIOR PERIOD ADJUSTMENTS

The District reports construction in progress as a capital asset as required by GASB 34. In prior periods the costs of construction were expensed as incurred. The district-wide statements include prior period adjustments that reflect the addition of \$956,712 of construction costs and the corresponding increase in district-wide net assets. The prior period adjustment has no effect on the governmental fund balances.

SUPPLEMENTAL SCHEDULES AND INFORMATION

WAYNE COUNTY SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**

For the year ended June 30, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
Revenues				
Taxes	\$2,136,000	\$2,261,000	\$2,570,611	\$309,611
Other Local Sources	50,000	50,000	105,246	55,246
Earnings on investments	25,000	25,000	56,482	31,482
State Sources	9,819,275	9,788,120	12,933,016	3,144,896
Other Sources	-	-	22,042	22,042
Total revenues	<u>12,030,275</u>	<u>12,124,120</u>	<u>15,687,397</u>	<u>3,563,277</u>
Expenditures				
Instructional	6,728,809	7,185,428	9,678,567	(2,493,139)
Student Support Services	391,687	652,669	762,251	(109,582)
Staff Support Services	504,301	725,638	863,863	(138,225)
District Administration	628,383	453,666	376,502	77,164
School Administration	882,261	1,105,714	1,102,191	3,523
Business Support Services	136,786	176,474	222,749	(46,275)
Plant Operation & Maintenance	1,157,233	942,445	1,228,506	(286,061)
Student Transportation	1,139,811	1,321,261	1,609,928	(288,667)
Community Service Operations	-	-	40,658	(40,658)
Faculty Acquisition & Construction	-	(296,090)	-	(296,090)
Debt Service:				
Principal	159,040	159,040	133,732	25,308
Interest	-	-	25,308	(25,308)
Contingencies	400,000	530,000	-	530,000
Total expenditures	<u>12,128,311</u>	<u>12,956,245</u>	<u>16,044,255</u>	<u>(3,088,010)</u>
Excess (deficit) of revenues over expenditures	<u>(98,036)</u>	<u>(832,125)</u>	<u>(356,858)</u>	<u>475,267</u>
Other Financing Sources (Uses)				
Insurance proceeds	-	-	-	-
Proceeds from sale of fixed assets	-	-	9,832	9,832
Operating transfers in	20,000	34,050	356,051	322,001
Operating transfers out	(121,964)	(137,295)	(153,282)	(15,987)
Total other financing sources (uses)	<u>(101,964)</u>	<u>(103,245)</u>	<u>212,601</u>	<u>315,846</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(200,000)</u>	<u>(935,370)</u>	<u>(144,257)</u>	<u>791,113</u>
Net change in fund balance	(200,000)	(935,370)	(144,257)	791,113
Fund balance, June 30, 2004	<u>200,000</u>	<u>935,370</u>	<u>1,021,122</u>	<u>85,752</u>
Fund balance, June 30, 2005	<u><u>\$-</u></u>	<u><u>\$-</u></u>	<u><u>\$876,865</u></u>	<u><u>\$876,865</u></u>

See accompanying notes to financial statements.

WAYNE COUNTY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE
FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
Revenues				
Other Local Sources	\$-	\$8,657	\$8,520	\$(137)
Earnings on investments	-	839	839	-
State Sources	1,256,241	1,071,635	983,420	(88,215)
Federal Sources	2,319,239	2,428,151	2,381,824	(46,327)
Total revenues	<u>3,575,480</u>	<u>3,509,282</u>	<u>3,374,603</u>	<u>(134,679)</u>
Expenditures				
Instructional	2,789,571	2,592,748	2,510,077	82,671
Student Support Services	1,166	58,547	57,390	1,157
Staff Support Services	503,296	607,469	561,055	46,414
School Administration	5,582	13,664	16,599	(2,935)
Plant Operation & Maintenance	11,704	19,864	22,222	(2,358)
Student Transportation	35,991	21,989	11,861	10,128
Community Service Operations	231,508	226,520	226,918	(398)
Total expenditures	<u>3,578,818</u>	<u>3,540,801</u>	<u>3,406,122</u>	<u>134,679</u>
Excess (deficit) of revenues over expenditures	(3,338)	(31,519)	(31,519)	-
Other Financing Sources (Uses)				
Operating transfers in	3,338	31,519	31,519	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>3,338</u>	<u>31,519</u>	<u>31,519</u>	<u>-</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balance	-	-	-	-
Fund balance, June 30, 2004	-	-	-	-
Fund balance, June 30, 2005	<u><u>\$-</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>

See accompanying notes to financial statements.

WAYNE COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 As of June 30, 2005

	Capital Outlay Fund	Building Fund	Debt Service	Total Nonmajor Govt. Funds
ASSETS				
Cash	\$-	\$-	\$2,260	\$2,260
Investments	-	-	84,299	84,299
Total assets	<u>\$-</u>	<u>\$-</u>	<u>\$86,559</u>	<u>\$86,559</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Reserved for:				
Debt service	-	-	86,559	86,559
Total fund balance	<u>-</u>	<u>-</u>	<u>86,559</u>	<u>86,559</u>
Total liabilities and fund balances	<u>\$-</u>	<u>\$-</u>	<u>\$86,559</u>	<u>\$86,559</u>

See accompanying notes to financial statements.

WAYNE COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2005

	Capital Outlay Fund	Building Fund	Debt Service	Total Nonmajor Govt. Funds
Revenues				
From local sources				
Property taxes	\$-	\$290,574	\$-	\$290,574
Bond proceeds	-	-	-	-
Earnings on investments			19,850	19,850
State sources	228,400	379,780	266,974	875,154
Total revenues	<u>228,400</u>	<u>670,354</u>	<u>286,824</u>	<u>1,185,578</u>
Expenditures				
Plant operation and maintenance	170,092	-	-	170,092
Debt service:				
Principal			1,528,000	1,528,000
Interest	-	-	377,900	377,900
Total expenditures	<u>170,092</u>	<u>-</u>	<u>1,905,900</u>	<u>2,075,992</u>
Excess (deficit) of revenues over expenditures	<u>58,308</u>	<u>670,354</u>	<u>(1,619,076)</u>	<u>(890,414)</u>
Other Financing Sources (Uses)				
Proceeds from sale of investments			775,000	775,000
Cost of investments			(774,543)	(774,543)
Operating transfers in	-	-	850,425	850,425
Operating transfers out	(58,308)	(670,354)	-	(728,662)
Total other financing sources (uses)	<u>(58,308)</u>	<u>(670,354)</u>	<u>850,882</u>	<u>122,220</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>-</u>	<u>-</u>	<u>(768,194)</u>	<u>(768,194)</u>
Net change in fund balance	-	-	(768,194)	(768,194)
Fund balance, June 30, 2004	-	-	854,753	854,753
Fund balance, June 30, 2005	<u>\$-</u>	<u>\$-</u>	<u>\$86,559</u>	<u>\$86,559</u>

See accompanying notes to financial statements.

WAYNE COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

ACTIVITY	CASH BALANCE JUNE 30, 2004	RECEIPTS(1)	DISBURSEMENTS(1)	CASH BALANCE JUNE 30, 2005	ACCOUNTS RECEIVABLE	ACCOUNTS PAYABLE	DUE TO STUDENT GROUPS JUNE 30, 2005
Early Childhood Center	990	\$19,701	\$19,487	\$1,204	\$0	\$0	\$1,204
Walker Elementary	5,803	54,380	47,984	12,199	0	0	12,199
Bell Elementary	19,936	62,723	67,280	15,379	124	0	15,503
Turner Intermediate	39,970	47,318	50,174	37,114	42	4,630	32,526
Lloyd Middle	54,650	91,671	89,219	57,102	0	1,955	55,147
TOTALS	\$121,349	\$275,793	\$274,144	\$122,998	\$166	\$6,585	\$116,579

(1) Included in Receipts and Disbursements are
Inter-Fund transfers as follows:

Early Childhood Center	
Walker Elementary	\$10,147
Bell Elementary	\$6,000
Turner Intermediate	\$1,621
Lloyd Middle	\$4,740

See accompanying notes to financial statements.

WAYNE COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

ACTIVITY	CASH BALANCE JUNE 30, 2004	RECEIPTS(1)	DISBURSEMENTS(1)	CASH BALANCE JUNE 30, 2005	ACCOUNTS RECEIVABLE	ACCOUNTS PAYABLE	DUE TO STUDENT GROUPS JUNE 30, 2005
Academic Team	25.43	1,704.45	1,704.45	25.43	0.00	0.00	25.43
Annual	2,981.28	27,756.00	27,898.94	2,838.34	40.00	0.00	2,878.34
Art Fund	75.38	0.00	0.00	75.38	0.00	0.00	75.38
Band	14,674.55	49,509.97	55,762.23	8,422.29	0.00	1,005.30	7,416.99
Baseball	88.23	160.00	2,084.98	-1,836.75	2,096.18	0.00	259.43
Beta Club	276.85	540.75	561.20	256.40	0.00	0.00	256.40
Boys Basketball	-1,995.94	31,466.17	33,475.27	-4,005.04	4,250.04	0.00	245.00
C.L. Fundraiser	600.69	8,323.96	7,045.40	1,879.25	0.00	349.20	1,530.05
Cheerleaders	32.04	1,147.04	2,526.40	-1,347.32	1,349.80	0.00	2.48
Class 2002	1.00			1.00	0.00	0.00	1.00
Class 2004	248.17	0.00	0.00	248.17	0.00	0.00	248.17
Class of 2005	1,333.56	1,671.48	2,279.37	725.67	0.00	0.00	725.67
Class 2006	0.00	4,411.41	4,187.67	223.74	392.91	0.00	616.65
Coke Fund	0.00	12,419.23	12,419.23	0.00	0.00	0.00	0.00
Dance Team	6,787.64	19,124.93	23,931.06	1,981.51	28.24	62.29	1,947.46
Deca Account	1,227.77	1,035.00	1,793.20	469.57	0.00	0.00	469.57
Deca Store	2,357.53	9,562.70	8,541.51	3,378.72	0.00	0.00	3,378.72
Drama Club	234.95	760.05	827.06	167.94	0.00	0.00	167.94
Driver Permits	1,044.96	1,202.25	463.74	1,783.47	0.00	0.00	1,783.47
Environmental Club	1,035.83	0.00	0.00	1,035.83	0.00	0.00	1,035.83
FCA	352.48	1,746.00	1,585.71	512.77	0.00	0.00	512.77
FFA	747.97	3,005.00	3,319.54	433.43	0.00	0.00	433.43
FHA (FCCLA)	1,059.08	1,607.59	2,203.06	463.61	0.00	0.00	463.61
FCCLA Fundraiser	0.00	1,950.00	1,950.00	0.00	0.00	0.00	0.00
Fut. Ed. Of Am.	1,844.09	211.00	526.03	1,529.06	0.00	0.00	1,529.06
Foreign Language	602.23	2,754.52	2,561.24	795.51	0.00	0.00	795.51
Football	33.85	21,738.21	20,562.39	1,209.67	0.00	0.00	1,209.67
Girls Basketball	140.00	28,364.38	33,167.64	-4,663.26	4,756.81	0.00	93.55
Girls Softball	-642.04	2,002.04	5,272.00	-3,912.00	3,912.00	0.00	0.00
Girls Golf	25.34	178.00	178.00	25.34	0.00	0.00	25.34
Guinn	478.91	0.00	0.00	478.91	0.00	0.00	478.91
Golf (Boys)	151.48	275.00	335.00	91.48	0.00	0.00	91.48
Greenhouse	7,532.28	0.00	0.00	7,532.28	0.00	0.00	7,532.28
History Club	473.63	1,643.75	1,570.38	547.00	0.00	0.00	547.00
Home Economics	151.19	199.55	221.37	129.37	0.00	0.00	129.37
Key Club	273.56	50.00	171.00	152.56	0.00	0.00	152.56
Keywanettes	142.87	0.00	0.00	142.87	0.00	0.00	142.87
Library	302.23	254.87	229.89	327.21	0.00	0.00	327.21
Mini-Grant	96.74	6.00	0.00	102.74	0.00	0.00	102.74
Office	15,566.97	24,623.26	23,891.47	16,298.76	1,247.71	168.17	17,378.30
Photography Club	0.00	40.00	0.00	40.00	0.00	0.00	40.00
ROTC	3,670.92	20,733.93	18,676.31	5,728.54	0.00	0.00	5,728.54

See accompanying notes to financial statements.

WAYNE COUNTY HIGH SCHOOL
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE (CONTINUED)
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

ACTIVITY	CASH BALANCE JUNE 30, 2004	RECEIPTS(1)	DISBURSEMENTS(1)	CASH BALANCE JUNE 30, 2005	ACCOUNTS RECEIVABLE	ACCOUNTS PAYABLE	DUE TO STUDENT GROUPS JUNE 30, 2005
G/U Field Trips	0.00	4,000.00	947.30	3,052.70	0.00	0.00	3,052.70
ROTC Budget	0.00	1,013.00	1,013.00	0.00	0.00	0.00	0.00
S.A.D.D.	384.49	58.00	374.50	67.99	0.00	0.00	67.99
Science Club	27.06	0.00	0.00	27.06	0.00	0.00	27.06
Sentinel	182.86	0.00	85.00	97.86	0.00	0.00	97.86
Special Book Fund	828.23	67.20	243.31	652.12	0.00	0.00	652.12
Special Ed Fund	-424.68	508.59	609.95	-526.04	567.88	0.00	41.84
Sp. Ed. F.R.	0.00	1,690.00	1,206.03	483.97	0.00	0.00	483.97
Student Senate	122.55	0.00	0.00	122.55	0.00	0.00	122.55
Tourn. Prog./Conc.Fund	1,891.23	1,913.79	3,001.78	803.24	0.00	0.00	803.24
TSA	1.56	3,161.11	2,367.19	795.48	0.00	0.00	795.48
Wrestling	0.00	7,191.98	11,012.90	-3,820.92	3,975.87	0.00	154.95
Young Democrats	203.50	1,186.18	687.26	702.42	0.00	0.00	702.42
Chess Club	26.79	0.00	0.00	26.79	0.00	0.00	26.79
National Honor Society	523.35	176.00	476.40	222.95	0.00	0.00	222.95
Sp. Account	84.29	574.87	542.50	116.66	0.00	0.00	116.66
Am. Tradition Club	141.46	0.00	114.36	27.10	0.00	0.00	27.10
Boys 47th Dist. Tourn.	13.91	3,009.32	304.08	2,719.15	0.00	1,374.60	1,344.55
Girls 47th Dist. Tourn.	532.09	1,542.30	854.45	1,219.94	0.00	0.00	1,219.94
RTR Fund	842.96	100.00	0.00	942.96	0.00	0.00	942.96
Cross Country	0.00	482.00	482.00	0.00	0.00	0.00	0.00
Tennis	0.00	85.08	738.00	-652.92	693.94	0.00	41.02
Tennis Special	0.00	4,532.48	4,531.00	1.48	0.00	0.00	1.48
Volleyball	193.70	6,224.62	6,140.64	277.68	0.00	0.00	277.68
Mini-Courses	108.31	57.00	161.30	4.01	0.00	0.00	4.01
Honors English Class	313.78	0.00	0.00	313.78	0.00	0.00	313.78
FCA - ROTC Sp.	258.44	1,590.40	452.25	1,396.59	0.00	0.00	1,396.59
Sp. Football	0.00	2,374.85	2,285.00	89.85	0.00	0.00	89.85
Math	884.89	0.00	115.53	769.36	0.00	0.00	769.36
Cardinal Bank	3,387.68	3,623.99	3,933.52	3,078.15	0.00	270.29	2,807.86
Pep Club	47.00	1,090.00	1,020.00	117.00	0.00	0.00	117.00
Candy Making Club	0.00	241.60	238.76	2.84	0.00	0.00	2.84
Dance Team Special	0.00	1,268.00	1,233.57	34.43	0.00	0.00	34.43
Monticello Bank Classic Tourn.	0.00	5,034.56	5,034.56	0.00	0.00	0.00	0.00
Sp. Baseball	0.00	2,253.00	1,432.90	820.10	0.00	0.00	820.10
Video Club	0.00	680.00	0.00	680.00	0.00	0.00	680.00
TOTALS	\$74,609	\$337,909	\$353,562	\$58,956	\$23,311	\$3,230	\$79,037

(1) Included in Receipts and Disbursements are
Inter-Fund transfers in the amount of \$16,938

WAYNE COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	MUNIS NUMBER	PROGRAM OR AWARD AMOUNT	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF EDUCATION				
Passed through State Department of Education:				
Title I*	84.010	3104	\$1,114,803	\$179,407
		3105	1,103,462	923,495
IDEA - Part B*	84.027	3374	457,651	44,370
		3375	523,858	414,252
IDEA – Preschool*	84.173A	3435	43,890	43,890
Title II Part A	84.367A	4013	268,611	2,584
		4014	264,128	63,772
		4015	265,957	195,932
Title V Innovative Programs	84.298	3345	29,394	17,007
Title IV	84.186	4064	30,274	18,564
		4065	13,248	11,496
Vocational Education - Title I Part C	84.048	3484A	541	541
		3485	17,138	17,138
Rural Education Achievement	84.358B	3503	50,518	743
	84.358	3504	73,276	73,276
	84.358	3505	84,385	40,380
Title II Technology	84.318X	4255	29,958	29,958
Migrant	84.011	3114	77,830	20,602
		3115	73,450	50,987
Passed through Workforce Development:				
Adult Education	84.002	3655	3,049	3,049
		3734	38,556	178
		3734s	2,479	2,479
		3735	41,036	41,036
		3735S	2,299	2,299
		3805	5,646	5,646
School to Work	84.334A	3794g	35,395	12
	84.334A	3795G	38,952	38,952
In School Regular Youth Program	17.255	5884a	90,473	(206)
	17.255	5885B	2,357	2,357
	17.255	5885	66,986	66,986
Passed through Kentucky Dept. of Juvenile Justice:				
Neglected and Delinquent Children-KECSAC-Title I	84.013	3135	<u>15,753</u>	<u>15,753</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			4,865,353	2,326,935
U.S. DEPARTMENT OF AGRICULTURE				
Passed through State Department of Education:				
USDA School Lunch Program *	10.555	Grant # 57504-02	191,685	191,685
		57505-02	441,962	441,962
USDA School Breakfast Program*	10.553	57604-05	87,171	87,171
		57605-05	193,928	193,928
USDA Summer Meal Program*	10.559	57404-23	22,000	22,000
		56904-24	<u>2,291</u>	<u>2,291</u>
TOTAL STATE DEARTMENT OF EDUCATION			939,037	939,037

(Continued)

WAYNE COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	MUNIS NUMBER	PROGRAM OR AWARD AMOUNT	FEDERAL EXPENDITURES
Passed through Kentucky Dept. of Agriculture:				
USDA School Commodities	10.550	N/A	<u>80,972</u>	<u>80,972</u>
TOTAL KENTUCKY DEPT OF AGRICULTURE			<u>80,972</u>	<u>80,972</u>
TOTAL PASS THROUGH			5,885,362	3,346,944
DEPARTMENT OF JUSTICE				
	16.580	3005	18,551	13,861
Part E - State Challenge Activities	16.549	5012	2,123	446
U.S. DEPARTMENT OF DEFENSE				
ROTC	12.000	5044	46,030	5,132
	12.000	5045	48,242	48,242
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION				
Pride	11.420	2704	<u>3,813</u>	<u>266</u>
TOTALS			<u>\$6,004,121</u>	<u>\$3,414,891</u>

NOTE - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

*Major Program

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Wayne County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed at June 30, 2005.

WAYNE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

SUMMARY OF AUDIT FINDINGS

1. The auditors' report expresses an unqualified opinion on the financial statements of Wayne County School District.
2. No reportable conditions relating to the audit of the financial statements are reported in the report on internal control over financial reporting.
3. No instances of noncompliance material to the financial statements of Wayne County School District were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the report on internal control over compliance in accordance with OMB Circular A-133.
5. The auditors' report on compliance for the Title I and USDA Lunch and Breakfast Programs expresses an unqualified opinion.
6. The programs tested as major programs include Title I CDFA#84.010, IDEA Part B CDFA#84.027, IDEA Preschool CDFA#84.173A and USDA School Lunch and Breakfast Program (Cluster) CFDA #s 10.553, 10.555, 10.558, 10.559.
7. The threshold for distinguishing Type A programs was \$300,000.
8. Wayne County School District did not qualify as a low-risk auditee.

FINDINGS BASED ON THE FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS

None.

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None

**Report on Compliance and on Internal Control Over Financial Reporting Based on an
Audit of Financial Statements Performed in Accordance With *Government Auditing
Standards***

Kentucky State Committee for School District Audits
Members of the Board of Education
Wayne County Board of Education
Monticello, Kentucky

We have audited the financial statements of Wayne County School District as of and for the year ended June 30, 2005, and have issued our report thereon dated October 24, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the State Committee for School District audits in the *Appendix I of the Independent Auditors' Contract - General Requirements*, and *Appendix II of the Independent Auditors' Contract - State Audit Requirements*.

Compliance

As part of obtaining reasonable assurance about whether Wayne County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Wayne County School District, in a separate letter dated October 24, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wayne County School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be

material weaknesses. However we noted other matters involving the internal control over financial reporting that we have reported to management of Wayne County School District, in a separate letter dated October 24, 2005.

This report is intended for the information and use of the Board, management, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Greattinger & Crowley, PSC

October 24, 2005

**Report on Compliance With Requirements Applicable to Each Major Program and on
Internal Control Over Compliance in Accordance With OMB Circular A-133**

Kentucky State Committee for School District Audits
Members of the Board of Education
Wayne County Board of Education
Monticello, Kentucky

Compliance

We have audited the compliance of Wayne County School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Wayne County School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Wayne County School District's management. Our responsibility is to express an opinion on Wayne County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the State Committee for School District audits in the *Appendix I of the Independent Auditors' Contract – General Requirements*, and *Appendix II of the Independent Auditors' Contract – State Audit Requirements*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wayne County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Wayne County School District's compliance with those requirements.

In our opinion, Wayne County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Wayne County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Wayne County School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board, management, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Greattinger & Crowley, PSC

October 24, 2005

MANAGEMENT LETTER

Superintendent and Members of the Board of Education
Wayne County School District
Monticello, Kentucky

In planning and performing our audit of the financial statements of Wayne County School District for the year ended June 30, 2005, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of some matters that are opportunities to strengthen internal controls and operate efficiently.

Uncorrected Prior Year Comments

Wayne County Early Childhood Center lacks proper segregation of duties.

Recommendation - We recommend that the duties of issuing cash receipts and posting receipts be segregated.

Comment - *Management stated they are trying to deal with this situation given current staffing levels.*

Walker Elementary failed to properly document cash receipts.

Recommendation - We recommend that receipts be issued at the time possession of funds changes hand and be properly documented on forms required under the Accounting Procedures for Kentucky School Activity Funds.

Comment - *Management stated that school personnel will receive additional training on procedures and internal control issues.*

Current Year Comments

Walker Elementary issued a check for carpet cleaning.

Recommendation - We recommend that activity funds not be used for building maintenance.

Comment - *Management will comply.*

External organizations are not submitting required annual financial reports to the principals at Walker Elementary, Turner Intermediate, and Bell Elementary.

Recommendation - We recommend that external organizations submit a financial report to the principal by July 25 are required by KRS 156.070.

Comment - *Management was unaware of this requirement and will comply in the future.*

Activity fund budgets were not prepared at Walker Elementary, Bell Elementary, and Wayne High School.

Recommendation - Budgets should be prepared annually and submitted to the principal for approval.

Comment - Budgets will be prepared in the future.

Transfer forms were not signed by the principal at Walker Elementary, Lloyd Middle School, and Wayne High School.

Recommendation - The principal should sign to approve all fund transfers.

Comment - All future transfers will be submitted to the principal for approval.

Some checks lacked dual signatures at Bell Elementary.

Recommendation - All checks should have two signatures.

Comment - *Management will comply.*

Fund raiser worksheets and multiple receipt forms were not completed by sponsors or approved by the principal at Lloyd Middle School.

Recommendation - Club sponsors should use approved forms to monitor fund raiser activities and cash receipts from students. Fund raising activities should be approved by the principal.

Comment - *Management will try to ensure compliance by teachers in the future.*

Sales tax was paid with activity funds at Lloyd Middle School.

Recommendation - Reimbursements should not include sales tax.

Comment - *Management will monitor this for compliance.*

The certificate of deposit at Lloyd Middle School only requires one signature for withdrawal.

Recommendation - The financial institution should be directed to require two signatures for any funds withdrawn.

Comment - *Management will take steps to correct this situation.*

Cash receipts for a football game were not deposited in a timely manner at Wayne High School.

Recommendation - Cash receipts should be deposited daily.

Comment - *This was an isolated incident and management will monitor for compliance.*

Documentation and receipts were not prepared for some student fees paid at the Wayne High School front desk.

Recommendation - Documentation should be maintained of student payments and receipts issued.

Comment - *Management will comply.*

We have reported on the District's internal control structure in our report dated October 24, 2005. This letter does not affect our report dated October 24, 2005, on the financial statements of Wayne County School District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendations.

We wish to thank the personnel for their support and assistance during our audit.

This report is intended solely for the information and use of the Board and management of Wayne County School District.

Sincerely,